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Counting on CAFTA

MASAYA, Nicaragua - THE CUPID lingerie factory, on the highway from Managua to Masaya, is hardly an ideal place to work, but for 500 Nicaraguans it offers a steady wage and tolerable working conditions. Factories like this are the centerpiece of an outward-looking economic strategy centered on the proposed Central American Free Trade Agreement. CAFTA represents a gamble for Nicaragua, but it's worth approving to give this country the second-poorest in the hemisphere after Haiti a chance to compete successfully in a globalized economy.

The Cupid company, based in Oklahoma, is taking advantage of Nicaragua's cheap land and low wages. Workers earn a base pay of less than $16 a week, but their weekly checks can top $36 if they reach their production quotas. For the people sewing panties, this comes to 47 pairs an hour. Progress is marked on a slate next to their sewing machines, where they stand for 12 hours a day, minus a 15-minute morning break, a 35-minute lunch period, and a couple of pauses to go to the bathroom.

Yet the jobs offer two- or four-week vacations, modest health benefits, and union protection. The plant is clean and air-conditioned, an important consideration when the temperature can reach 90 degrees in the afternoon. With 40 percent of the Nicaraguan workforce unemployed or getting by on part-time, irregular jobs, there is no shortage of workers for Cupid. Nicaraguan business leaders, however, worry that China, Vietnam, and other producers with even lower labor costs will undercut them on such mass items as the Cupid panties and other lingerie, which are sold to discount stores in the United States.

These businessmen hope that, given Nicaragua's closeness to the United States six days by ship instead of more than a month from China US textile makers will shift some of their high-value operations here so that they can respond more quickly to changes in fashion. Normally, textile makers under CAFTA must make their clothes from US-manufactured cloth. For Nicaragua only, where the industry is immature, manufacturers will be able to use a small amount of cloth from anywhere. Businessmen hope this will give them a startup advantage over Asian countries.

The treaty, which has yet to be ratified by the Nicaraguan Assembly and the US Congress, would regulate commerce between five Central American nations, the Dominican Republic, and the United States. One of its most controversial provisions would slightly open the US sugar market to exports from the seven countries. The treaty would also offer tariff protections for rice, a staple of the Nicaraguan diet, and for white corn, an important crop for small farmers. And the treaty includes commitments on labor rights and environmental protection. If ratified, it will improve economic relationships among the seven signatories.

Most agricultural exports to the United States from the six other nations are already free of tariffs, but Nicaraguan business people hope that the treaty, by codifying an open market between the United States and Central America, will reorient Nicaraguan agriculture to focus on higher-value exports such as beef, peanuts, and sesame seeds. If Nicaraguans are to escape from dire poverty, they need to export high-value items to the US market, biggest in the world.

In the San Isidro de Bolas neighborhood of Managua, a charity with strong US support was offering hope to hundreds of Nicaraguan children while highlighting one of the roadblocks to nationwide economic development. The Fabretto Children's Center provides a quality after-school program in an attempt to remedy weaknesses in the Nicaraguan education system.

The Nicaraguan school day ends at 12:30, leaving many hours of idleness. Students are required to wear uniforms a white blouse and blue skirts for girls and blue pants for boys which cost perhaps $30 a year. To save money and to help the family earn an income, many children leave school at age 11 or 12, when they are barely literate. People with minimal education will not thrive in a modern economy.

Backed by the US-based Fabretto Children's Foundation, using private funds and a grant from the US government, the Fabretto organization has established five after-school centers around the country, helping 4,000 youngsters, including the 560 in San Ysidro. The children get a nutritious lunch, an opportunity for exercise, and extra instruction in school subjects. For older youths, the centers offer computer training, musical instruction, English lessons, and business lessons modeled on Junior Achievement. "There's a lot of crony capitalism here," said Fabretto'ss vice president, Kevin C. Marinacci. "This program teaches that business is based on honesty."

Marinacci does not know whether the after-school initiative will be sufficient to keep children in school until they earn their high school diploma. But some program like this is essential to prepare Nicaraguan youngsters for the greater economic opportunities that may be available because of CAFTA.

The Nicaraguan economy grew at a 4.2 percent pace last year. Perhaps CAFTA will increase the rate. Some of that money needs to be plowed back into the education system so Nicaragua can enhance its most precious asset, its human capital.

Approval by the Nicaraguan Assembly seems assured. In the United States, however, sugar producers, some elements of the textile industry, and labor unions have lined up to oppose CAFTA. The five nations in Central America and the Dominican Republic have neither the population (45 million) nor the economic resources (total gross domestic product of $205 billion) to affect the $10.99 trillion US economy one way or the other.

Central America, thanks to modern transportation and increased immigration, is closer to the United States than at any other time in history. Congress should back the CAFTA gamble to give the people there an opportunity for sustained prosperity.